

**XPRESS HOLDINGS LTD**  
(Company Registration No. 199902058Z)  
(Incorporated in Singapore)

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**NON-BINDING MEMORANDUM OF UNDERSTANDING RELATING TO THE PROPOSED  
SUBSCRIPTION OF SHARES IN THE CAPITAL OF XPRESS HOLDINGS LTD**

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**1. INTRODUCTION**

The Board of Directors (the “**Board**”) of Xpress Holdings Ltd (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) wishes to announce that the Company has on 5 December 2014 entered into a memorandum of understanding (the “**MOU**”) with Mr. Ma Wei Dong (the “**Investor**”) and Mr. Fong Kah Kuen @ Foong Kah Kuen (the “**Founder**”), who is the founder of the Company, in relation to the subscription by the Investor or his nominee for 1,100,000,000 new ordinary shares (the “**Subscription Shares**”) of the Company at an issue price of S\$0.007 per Subscription Share (the “**Proposed Subscription**”), for an aggregate consideration of S\$7,700,000. Each Subscription Share will come with two free detachable warrants (the “**Warrants**”) on the basis of two free Warrants for every one Subscription Share. Further details of the principal terms of the Proposed Subscription are set out below.

Pursuant to the MOU, the Investor or his nominee, the Founder and the Company (collectively the “**Parties**”, and each a “**Party**”) will enter into negotiations on the terms of the Proposed Subscription, with the objective of finalising and entering into a definitive subscription agreement (“**Subscription Agreement**”) and other related documents in respect of the Proposed Subscription.

Save for certain provisions relating to, *inter alia*, exclusivity, costs and expenses, confidentiality, rights of third parties and governing law, the MOU sets out the indicative principles relating to the Proposed Subscription and does not constitute a legally binding contract or otherwise gives rise to legally enforceable rights and obligations in respect of the Parties.

**2. RATIONALE FOR THE PROPOSED SUBSCRIPTION**

The Proposed Subscription is being carried out to enable the Company to augment its cash flow and improve working capital for expansion purposes.

**3. ABOUT THE INVESTOR**

The Investor is the Chairman of the Board of Directors of Kunming LuChen Group Co., Ltd. The Investor is proposing to enter into the Proposed Subscription in his individual capacity or through his nominee.

**4. PRINCIPAL TERMS OF THE PROPOSED SUBSCRIPTION**

Based on the MOU, the Parties envisage that principal terms of the Proposed Subscription shall include such terms as set out below.

#### 4.1 Subscription Shares and Subscription Price

The Investor shall subscribe for 1,100,000,000 ordinary shares in the capital of the Company, ranking in all respects *pari passu* with the Company's existing shares listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), at a subscription price of S\$0.007 per Subscription Share (the "**Subscription Price**").

If the Parties enter into the Subscription Agreement and the Proposed Subscription is completed, the Subscription Shares will represent approximately 31.00 per cent.<sup>1</sup> of the enlarged issued and paid-up share capital (excluding treasury shares) of the Company.

Each Subscription Share will come with two free detachable Warrants on the basis of two free Warrants for every one Subscription Share. Each Warrant will carry the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.007 (the "**Exercise Price**"). The Warrants shall have an expiry date of 5 years from the date of issue.

If all the Warrants are fully exercised by the Investor or his nominee in his/its sole discretion, the Company will issue 2,200,000,000 new ordinary shares to the Investor, which when aggregated with the Subscription Shares, will represent approximately 57.41 per cent.<sup>1</sup> of the enlarged issued and paid-up share capital (excluding treasury shares) of the Company.

If the Proposed Subscription is completed and if all the Warrants are fully exercised by the Investor or his nominee (in his/its sole discretion), the Company will receive over S\$23 million in aggregate from the Investor or his nominee.

#### 4.2 Loan by the Investor

The Investor will grant a loan of RMB10,000,000 (the "**Loan**") to the Company to be secured by a property at 28 One Tree Hill Singapore 248687 (the "**Property**"), subject to the terms and conditions of a loan agreement to be entered into between the Parties (the "**Loan Agreement**").

The Founder and his wife, Mdm. Foo Ai Lan, are the registered owners of the Property, which is currently mortgaged to The Bank of East Asia Limited (the "**Bank**"). As security for the Loan, the Founder and his wife will execute a second mortgage (the "**Second Mortgage**") document to grant the Investor a charge over the Property.

Following the signing of the MOU, the Investor has disbursed RMB5,000,000, being part of the Loan, to the Company. Upon the drawdown of such sum, the Investor shall be entitled to nominate and appoint one director to represent his interest on the Board.

The drawdown of the remaining RMB5,000,000 is subject to the Bank's written consent for the Loan and the creation of the Second Mortgage.

Upon the fulfillment or waiver of all the conditions precedent set out in the Subscription Agreement, the Loan can be utilised towards the settlement of the total

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<sup>1</sup> Based on the Company's share capital of 2,447,927,123 shares (excluding treasury shares) as at the date of this Announcement.

subscription consideration to be paid by the Investor to the Company for the Subscription Shares.

#### 4.3 Board Representation

Subject to all necessary approvals being obtained, the Investor shall be entitled to nominate and appoint the majority of the Company's directors to represent its interest on the Board upon the completion of the Proposed Subscription.

#### 4.4 Conditions Precedent

The conditions precedent to the Proposed Subscription, to be set out in the Subscription Agreement, shall include, *inter alia*, the following:

- (i) the Investor having undertaken and completed its due diligence investigations (including both financial and legal due diligence investigations) in respect of each of the Company and its subsidiaries, the results of such due diligence investigations being to the reasonable satisfaction of the Investor;
- (ii) receipt by the Investor of the approval from the Securities Industry Council to waive the requirement for the Investor to make a mandatory general offer to the other shareholders of the Company pursuant to the Proposed Subscription;
- (iii) the Company having obtained a white-wash resolution passed by the Company's shareholders waiving their rights to receive a general offer from the Investor pursuant to the Proposed Subscription;
- (iv) the Company having obtained approval of the Company's shareholders for the terms of the Subscription Agreement and the transactions contemplated therein, including the issue of the Subscription Shares, the Warrants and new shares upon the exercise of the Warrants (the "**New Shares**") pursuant to the Subscription Agreement;
- (v) receipt by the Company of an approval in-principle from the SGX-ST for the listing and quotation of the Subscription Shares and the New Shares, and where such approval is subject to any conditions, such conditions being acceptable to the Investor in his absolute discretion;
- (vi) receipt by the Investor of a personal guarantee secured by a mortgage over the Property and executed by the Founder to guarantee all indebtedness and liabilities (including contingent, potential and/or ancillary claims and liabilities) of the Group incurred before the date of completion of the Proposed Subscription, and which are not reflected in the unaudited results of the Group for the fourth quarter and full year ended 31 July 2014;
- (vii) there being no suspension by the SGX-ST of the trading of the Company's shares (other than a trading halt on a temporary basis requested by the Company) or a delisting of the Company's shares;
- (viii) all consents, approvals and authorisations from third parties (including financial institutions) required for or in connection with the Proposed Subscription and the execution of the Subscription Agreement having been obtained, and if such consents, approvals and authorisations are subject to any conditions, such conditions being acceptable to the Investor in his absolute discretion; and

- (ix) the Board having passed a resolution to authorise the appointments of such number of directors as may be determined by the Investor, and who are to be nominated by the Investor on the Board;
- (x) the resignation of such number of directors as may be determined by the Investor from the Board, except for the Founder who shall remain as a director of the Company; and
- (xi) the Company having complied or will have complied (before the completion of the Proposed Subscription) with all legal and other requirements necessary for the issue of the Subscription Shares and the performance of its obligations under the Subscription Agreement.

#### 4.5 Subject to Definitive Agreement

The Parties agree to use their best endeavours to sign the Subscription Agreement, the Loan Agreement, the documentation in respect of the Second Mortgage and such other agreements in respect of the Proposed Subscription within 30 calendar days from the date of signing of the MOU or such other date as mutually agreed between the Parties (the “**Proposed Date**”).

#### 4.6 Exclusivity

Each Party agrees that, prior to the Proposed Date, other than with the other Parties or their respective advisers, it will not engage in any discussions, negotiations or correspondence, or solicit, entertain or enter into any understanding or agreement with any third party regarding the Company, its subsidiaries or its assets, and in particular, the Proposed Subscription or other transactions which will be in conflict with or jeopardise the Proposed Subscription, without the prior written consent of the other Parties.

### 5. **USE OF PROCEEDS**

The proceeds from the Proposed Subscription, if and when completed, are intended to be used to settle the outstanding payables of the Company and working capital requirements, which include claims from landlords, retirement of loans from financial institutions and other loans.

### 6. **INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Subscription, other than through their respective directorships and shareholdings in the Company.

### 7. **CAUTION IN TRADING**

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Subscription Agreement will be entered into, the terms and conditions of the Proposed Subscription will not differ from that set out in the MOU, or the Proposed Subscription will be undertaken at all. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult

their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

## **8. OTHER ANNOUNCEMENTS**

The Company will make further announcements, in compliance with the requirements of the Listing Manual, upon the execution of the Subscription Agreement and/or when there are material developments in respect of the Proposed Subscription.

By Order of the Board  
**XPRESS HOLDINGS LTD**

Fong Kah Kuen  
Non-Executive Director  
5 December 2014